

Washington, DC -- Following a meeting with local auto dealers yesterday, U.S. Rep. Michael A. Arcuri (NY-24) called on U.S. Treasury Secretary Timothy Geithner and National Economic Council Director Lawrence Summers today to take immediate action to delay General Motors and Chrysler's plans to close thousands of small business car dealerships across the country.

"We cannot allow large corporations to achieve financial stability at the expense of local small businesses," **Arcuri said**. "It is imperative that the restructuring of these huge corporations does not leave local small businesses bearing most of the economic strain. I have yet to see any evidence that closing dealerships will positively impact the bottom line for these large corporate automakers. As independently-owned small businesses, auto dealers are a critical part of the local economy and are entitled to legal protections. GM and Chrysler have a responsibility to honor their partnerships with car dealerships, and they must be held accountable."

This week, GM and Chrysler announced that they would be closing auto dealerships across the country as part of their restructuring plan. The specific dealerships to be closed have not yet been designated. Today, Arcuri sent a letter to Treasury Secretary Geithner and Director Summers to explain the negative impact that these sudden closures would have on the economy of New York State and to request that the plan put forward by GM and Chrysler for immediate dealership closures be delayed.

Auto dealerships are major contributors to the Upstate economy, bringing in huge revenues and employing thousands. In New York State, the average sales dealership earned \$31 million in 2007, while employing almost 50,000 workers statewide. These positions typically pay twice the national average of other retail-sector jobs. Automobile dealerships are independently-owned businesses with dealers paying for their own inventory before cars even leave the factory. Dealers also pay for the parts used in repairs in advance, and cover all costs of training and diagnostic equipment.

Together Secretary Geithner and Director Summers chair the Presidential Task Force on the Auto Industry. Summers also serves as the Assistant to the President for Economic Policy.

Below is the text of the letter sent to Secretary Geithner and Director Summers:

The Honorable Timothy F. Geithner  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220 The Honorable Lawrence H. Summers  
Director of the National Economic Council and  
Assistant to the President for Economic Policy  
The White House  
Washington, DC 20500

Dear Secretary Geithner and Director Summers,

I write in concern over General Motors (GM) and Chrysler's plans to immediately close select auto dealerships across the nation in efforts to contain costs and become financially stable. As my district reflects significant auto and small business interests, I respectfully urge you to take into account the future well-being of GM and Chrysler dealerships as their holding companies resolve their bankruptcy and restructuring processes, and urge an imminent delay of these closures to reassess GM and Chrysler's methods and justifications of these actions. It remains unclear how closing dealerships would contribute to the future viability of GM and Chrysler when the current financial relationship between these holding companies and dealers already appears to serve the interests of the manufacturer. Additionally, Chrysler's status under Chapter 11 bankruptcy would permit it to set aside its legal obligations to honor franchise agreements under New York State law governing manufacturer termination of franchise contracts.

Auto dealerships are large contributors to the health of the economy, bringing in huge revenues and employing thousands. In New York State alone, the average sales dealership earned \$31 million in 2007. Additionally, all-new vehicle dealerships averaged total sales of \$34.5 billion while employing almost 50,000 workers statewide – or 10.5% of the state's total payroll. These positions typically pay twice the national average of other retail-sector jobs. Dealers have also invested about \$233 billion to create an auto sales network that provides a vast distribution and service channel for consumers. These franchise dealer networks specifically lower customer costs, outsourcing virtually 100% of the fees incurred by selling and servicing cars.

I commend you and thank your Administration for their efforts to help our nation's automotive industry survive the tough economic conditions of the past months. However, I ask that you use

the federal government's stake in GM and Chrysler to review the economic consequences of sudden dealership closures, and to consider that the actual long-term costs of these actions may be greater than the proposed benefits and savings. Automobile dealerships are independently-owned businesses bearing all operating costs. Dealers pay for their own inventory before cars even leave the factory, pay for the parts used in repairs in advance, and cover all costs of training and diagnostic equipment.

Given these outstanding issues, it is in the best interest of our country's dealerships and manufacturers alike to delay these planned immediate closures in order to better assess the actual advantages and real losses of closing thousands of small businesses in a short timeframe.

Thank you for your attention to this matter. I look forward to working together to revive this country's auto industry and restore it to its place as one America's great industries.

Sincerely,

MICHAEL A. ARCURI  
Member of Congress

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